

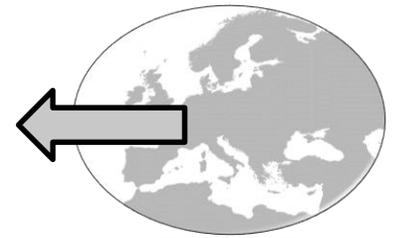
# DAIMLER

The Importance of Preferential and Non-Preferential Origin to Global Trade



# Importance of Preferential Origin

## Use of Preferential Agreements Outbound



- Customs duties must be paid upon **imports into target markets** outside the EU
- Import duties on vehicles can be up to 25% on the customs/transaction value



- The countries with which the EU has concluded preferential/free trade agreements offer an exception. In these countries, duty-free or duty-reduced import is often possible
- To make use of these benefits, it must be proven that a certain local content (usually at least 60% within the automotive sector) of the materials used in production were **manufactured in the EU**



- This verification is provided by **supplier declarations** that are issued to the customer by the supplier

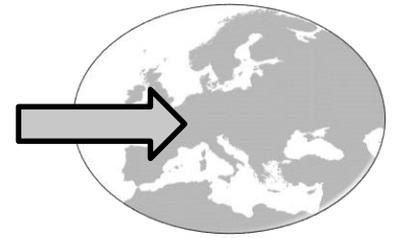


- The strategic use of these preferential agreements leads to an important competitive advantage on the target markets

The EU has currently concluded preferential agreements with **46 countries**

# Importance of Preferential Origin

## Use of Preferential Agreements Inbound



- Customs duties must be paid upon **imports** from countries outside the EU **into the EU**
- Import duties on vehicle parts can be up to 5% on the customs/transaction value



- The countries with which the EU has concluded preferential/free trade agreements offer an exception. Duty-free or duty-reduced export to the EU is often possible from these countries
- To make use of these benefits, it must be proven that a certain local content (usually at least 60% within the automotive sector) of the materials used in production were **manufactured in the particular FTA partner country.**



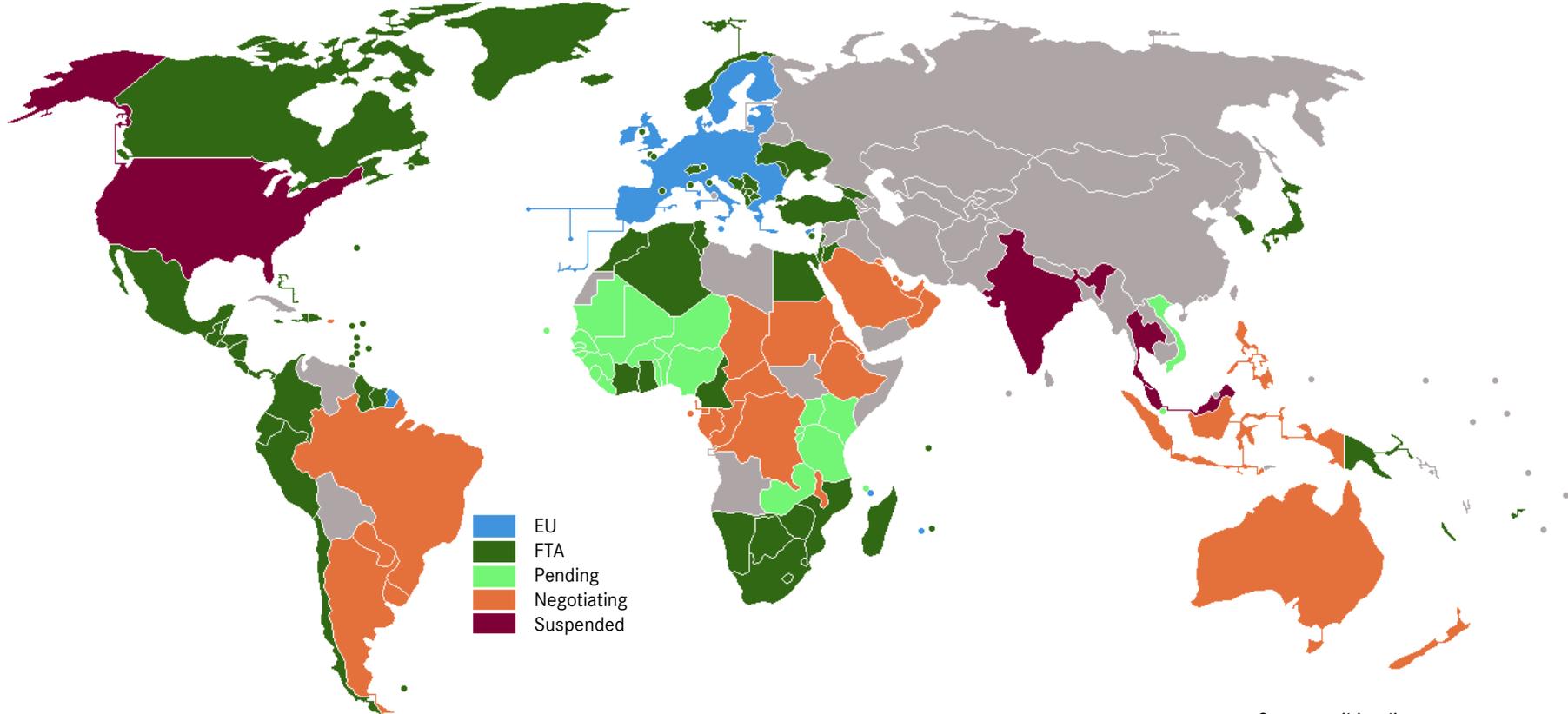
- This verification is provided by **origin certificates** (e.g. EUR.1) that are issued to the customer by the supplier



- The strategic use of these preferential agreements leads to an important cost reduction, which is **directly profit-relevant**

# Importance of Preferential/Free Trade Agreements

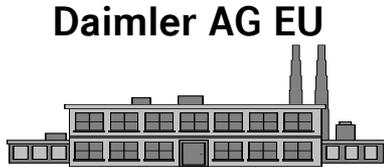
## Preferential/Free Trade Agreements of the EU



Source: wikipedia.com

# Importance of Preferential Origin

## Effects on Import into Target Markets



Delivery of an Actros (customs value 100.000 EUR)



Case	Customs value	Duty rate	Import duty in Mexico
Delivery of an Actros to Mexico <b>without</b> preference	100.000 EUR	20 %	<b>20.000 EUR</b>
Delivery of an Actros to Mexico <b>with</b> preference	100.000 EUR	0 %	<b>0 EUR</b>

# Importance of Supplier Declarations

## Issuing of Supplier Declarations

Daimler AG provides its suppliers for simplification with a template...



- ✓ ...to confirm that the delivered goods have been manufactured in the EU
- ✓ ...with specific and mandatory wording
- ✓ ...that applies to all the identical goods that are delivered during the year
- ✓ ...that is the basis for the preferential calculation for the vehicles produced by Daimler AG
- ✓ ...which alternatively also serves as a partial declaration of a part not being 100% originating



- ✓ Automated annual request in November by Daimler Group Services Berlin (DGSB)

# Preferential vs. Non-Preferential Origin

## Similar Names – Different Meaning

Non-Preferential Origin	Preferential Origin
<p>Legal basis: Art. 60 et seq. UCC            Last, substantial, economically-justified processing or working, in an undertaking (...)</p> <ul style="list-style-type: none"> <li>⇒ Is not based on <b>free trade or preferential agreements</b></li> <li>⇒ <b>Local Content unbiased</b></li> </ul>	<p>Legal basis: regulation in the corresponding preferential agreement (i.e. EU – CH)</p> <ul style="list-style-type: none"> <li>⇒ Can only be introduced in the free of movement of goods with those countries which the EU has a <b>Free Trade Agreement</b> with</li> <li>⇒ <b>Local Content necessary</b></li> </ul>
<p>Due to trade policy measures, such as external trade statistics, anti-dumping tariffs, import licenses or "Made in", these data are required <b>for import and export registration</b></p> <ul style="list-style-type: none"> <li>⇒ <b>Necessary specification for the import of goods</b></li> <li>⇒ <b>Needs to be specified by the supplier on each delivery</b></li> </ul>	<p>Compliance with the rules laid down for processing and transformation (list criteria; i.e. 60 % EU Local Content)</p> <ul style="list-style-type: none"> <li>⇒ <b>No information required for the import of goods</b></li> <li>⇒ <b>Specification only by suppliers within the EU</b></li> </ul>
<p><b>Production plants</b> are responsible for both obtaining and maintaining</p>	<p><b>LOZ Germersheim</b> is responsible for both obtaining and maintaining</p>
<p><b>Formal verification of the origin of goods by IHK certificate of origin</b></p>	<p><b>Verification of the origin of goods by proof of preference</b></p>

# Next Steps

## Support to the Suppliers by Daimler AG



- This document presents the background for the requirement of supplier declarations by Daimler AG to its suppliers
- It will be sent to the supplier with the request of the supplier declaration



- The suppliers of Daimler AG will be provided with a training video explaining the requirements described in this document more detailed (approx. in Q3 2019)
- The video clip can be retrieved by the suppliers at any time



- **Webinar** for consolidating the requirements of the supplier management system at Daimler AG with presentation of the legal fundamentals and effects.
- Semi-annual online training for all suppliers of Daimler AG will be offered (approx. starting in Q2 2019)